

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-043  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

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AUDIT STAFF

Ron Shackelford, CPA  
Shakil Anwar, CPA  
Anthony DelMastro

Audit Chief  
Assistant Audit Chief  
Auditor

AUDIT REPORT NUMBER

#08-043

44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Laurie Costa, President  
Board of Directors  
44th DAA, Colusa County Fair  
1303 10th Street  
Colusa, California 95932

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 44th District Agricultural Association (DAA), Colusa County Fair, Colusa, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 44th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In 2007, we were unable to apply general auditing procedures without extensive effort to satisfy ourselves about the disclosed amount for Account #241, Guaranteed Deposits (stated at \$55,855) as reflected on the accompanying Statement of Financial Condition as of December 31, 2007. As of December 31, 2007, the Fair could not provide us the supporting documentation to reconcile the account with the balance in the general ledger, we noted a net overstatement of \$25,195.

Because of the matter discussed in the third paragraph, in our opinion, except for the amount reported in Account #241, Guaranteed Deposits, the 2007 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the 44th District Agricultural Association, Colusa County Fair, as of December 31, 2007 and the

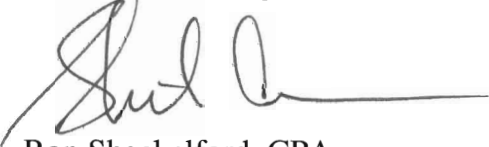


results of its operations and changes in accountability, and cash flows-regulatory basis for the year then ended, in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, the 2006 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the 44th District Agricultural Association, Colusa County Fair, as of December 31, 2006 and the results of its operations and changes in accountability, and cash flows-regulatory bases for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 44th DAA, Colusa County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-043, on the 44th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 44th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

  
For Ron Shackelford, CPA  
Chief, Audit Office

August 1, 2008

**44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
Cash in Bank	111 - 119	\$ 188,991	\$ 224,884
Accounts Receivable, Net	131	16,902	4,329
Deferred Charges	143	8,676	3,357
Construction in Progress	190	39,294	-
Land	191	3,298	3,298
Buildings and Improvements, Net	192	889,622	931,899
Equipment, Net	193	4,961	9,922
<b>TOTAL ASSETS</b>		<b><u>1,151,744</u></b>	<b><u>1,177,689</u></b>
<b>LIABILITIES AND NET RESOURCES</b>			
<b>Liabilities and Other Credits</b>			
Accounts Payable & Other Payable	212	42,756	26,311
Current Portion of Long Term Debt	212.5	5,334	5,074
Taxes Payable	221 - 226	406	(64)
Deferred Income	228	99,426	116,461
Guaranteed Deposits	241	55,855	55,845
Compensated Absences Liability	245	38,198	30,351
Long Term Debt	250	2,770	8,112
JLA Consignment	252	1,820	-
<b>Total Liabilities and Other Credits</b>		<b><u>246,565</u></b>	<b><u>242,090</u></b>
<b>Net Resources</b>			
Reserve for Junior Livestock Auction	251	10,030	3,693
Net Resources - Operations	291	(39,256)	(5,101)
Net Resources - Capital Assets	291.1	934,405	937,007
<b>Total Net Resources Available</b>		<b><u>905,179</u></b>	<b><u>935,599</u></b>
<b>TOTAL LIABILITIES AND NET RESOURCES</b>		<b><u>\$ 1,151,744</u></b>	<b><u>\$ 1,177,689</u></b>

**44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY  
Years Ended December 31, 2007 and 2006**

	<b>Account Number</b>	<b>2007</b>	<b>2006</b>
<b>REVENUE</b>			
State Apportionments	312	\$ 180,000	\$ 180,000
Other Millennium Flex	313	40,000	46,004
Capital Project Reimbursement Funds	319	8,694	110,372
Admissions	410	97,888	84,344
Commercial Space	415	14,100	14,950
Carnival	421	54,100	54,432
Food Concessions	422	30,558	29,416
Entry Fees	431	7,355	3,952
Attractions - Fairtime	460	38,309	40,244
Interim Attraction	469	164,460	152,570
JLA Revenue	476	31,549	19,512
MSF Revenue	477-478	58,576	59,950
HCF Revenue	479	17,877	18,366
Interim Revenue	480	78,073	101,552
Prior Year Adjustment	490	7,887	(1,257)
Other Revenue	495	12,096	12,509
<b>Total Revenue</b>		<b>841,522</b>	<b>926,916</b>
<b>EXPENSES</b>			
Administration	500	213,455	193,976
Maintenance and Operations	520	306,502	283,322
Publicity	540	31,246	28,856
Attendance	560	28,215	21,756
Miscellaneous Fair	570	7,598	8,689
JLA - Expense	576	25,212	15,802
HCF Expenses	579	12,645	11,159
Premiums	580	13,595	10,335
Exhibits	630	29,827	29,344
Fair Entertainment Expense	660	61,716	78,039
CFS Interim Entertainment	669	76,713	59,857
Equipment Expense	723	-	-
Prior Year Adjustments	800	(3,748)	(367,014)
Cash Over/Short from Ticket Sales	850	(213)	-
Depreciation Expense	900	58,679	60,968
Non-Capitalized Millennium Flex	945	10,500	46,004
<b>Total Expenses</b>		<b>871,942</b>	<b>481,093</b>
<b>RESOURCES</b>			
Net Change - Income / (Loss)		(30,420)	445,823
Resources Available, January 1		935,599	489,776
<b>Resources Available, December 31</b>		<b>\$ 905,179</b>	<b>\$ 935,599</b>

**44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS  
Years Ended December 31, 2007 and 2006**

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (30,420)	\$ 445,823
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(12,573)	75,894
(Increase) Decrease in Deferred Charges	(5,319)	(3,357)
Increase (Decrease) in Deferred Income	(17,035)	(80,843)
Increase (Decrease) in Accounts Payable	16,445	246
Increase (Decrease) in JLA Consignment	1,820	-
Increase (Decrease) in Current Portion of Long-Term Liability	260	(942)
Increase (Decrease) in Taxes Payable	470	8,279
Increase (Decrease) in Compensated Absence Liability	7,847	1,410
Increase (Decrease) in Guarantee Deposits	10	8,594
Total Adjustments	<u>(8,075)</u>	<u>9,281</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>(38,495)</b></u>	<u><b>455,104</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) Decrease in Construction in Progress	(39,294)	21,649
(Increase) Decrease in Buildings & Improvements	42,277	(462,091)
(Increase) Decrease in Equipment	<u>4,961</u>	<u>4,961</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>7,944</b></u>	<u><b>(435,481)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Long-Term Liability	<u>(5,342)</u>	<u>(5,074)</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>(5,342)</b></u>	<u><b>(5,074)</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(35,893)</b>	<b>14,549</b>
Cash at Beginning of Year	224,884	210,335
<b>CASH AT END OF YEAR</b>	<u><u><b>\$ 188,991</b></u></u>	<u><u><b>\$ 224,884</b></u></u>



**44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2007 and 2006

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The 44th District Agricultural Association (DAA) was formed on June 12, 1935, for the purpose of sponsoring, managing, and conducting the Colusa County Fair each year in Colusa, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the 44th DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization.

The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

**NOTE 2      CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 200	\$ 150
Cash in Bank - Operating	13,643	50,478
Cash in Bank - Premium	963	605
Cash in Bank - Payroll	(14,809)	(1,505)
Cash in Bank – LAIF	7,830	169,806
Cash in Bank – Savings (Umpqua)	179,297	-
Cash in Bank – JLA	-	3,693
Cash in Bank – Ag Mechanics	<u>1,867</u>	<u>1,657</u>
Total Cash and Cash Equivalents	<u>\$ 188,991</u>	<u>\$ 224,884</u>

**NOTE 3      ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable	\$ 9,899	\$ 4,958
Accounts Receivable - JLA	7,845	-
Accounts Receivable - Intrest	95	-
Accounts Receivable - UI	1,653	-
Allowance for Doubtful Accounts	<u>(2,590)</u>	<u>(629)</u>
Accounts Receivable - Net	<u><u>\$ 16,902</u></u>	<u><u>\$ 4,329</u></u>

**NOTE 4      PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	2007	2006
Building & Improvements	\$2,161,096	\$2,149,656
Less: Accumulated Depreciation	(1,271,474)	(1,217,757)
Building & Improvements - Net	<u>\$ 889,622</u>	<u>\$ 931,899</u>
Equipment	\$ 122,802	\$ 122,802
Less: Accumulated Depreciation	(117,841)	(112,880)
Equipment - Net	<u>\$ 4,961</u>	<u>\$ 9,922</u>

NOTE 5 **LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with California Fair Services Association (CFSA) to finance of a forklift. The terms of the agreement are as follows:

CFSA Forklift Loan:

Loan Amount	\$ 24,806
First Payment Date	July 1, 2004
Payment Amount	\$ 468
Duration of Loan	60 Months
Interest Rate	5%
Total Outstanding at 12/31/07	\$ 8,104
Current Portion at 12/31/07	\$ 5,334
Long-Term Portion at 12/31/07	\$ 2,770

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled

in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

**RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA**

**REPORT DISTRIBUTION**

<u>Number</u>	<u>Recipient</u>
1	President, 44th DAA Board of Directors
1	Chief Executive Officer, 44th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA

MANAGEMENT REPORT #08-043  
YEAR ENDED DECEMBER 31, 2007

44TH DISTRICT AGRICULTURAL ASSOCIATION  
COLUSA COUNTY FAIR  
COLUSA, CALIFORNIA

MANAGEMENT REPORT  
YEAR ENDED DECEMBER 31, 2007

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AUDIT STAFF

Ron Shackelford, CPA  
Shakil Anwar, CPA  
Anthony DelMastro

Audit Chief  
Assistant Audit Chief  
Auditor

MANAGEMENT REPORT NUMBER  
#08-043



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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Laurie Costa, President  
Board of Directors  
44th DAA, Colusa County Fair  
1303 10th Street  
Colusa, California 95932

In planning and performing our audit of the financial statements of the 44th District Agricultural Association (DAA), Colusa County Fair, Colusa, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Colusa County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 44th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 44th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 44th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 44th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 44th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 44th DAA and compliance with state laws and regulations, we identified five areas with reportable conditions that are considered weaknesses in the Fair's operations: guaranteed deposits, temporary employees, personnel, opportunity purchases, and entertainment taxation withholding. We have provided eight recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 44th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

## REPORTABLE CONDITIONS

### GUARANTEE DEPOSITS

Our office cannot determine whether the \$55,855 reported as a liability for Account #241, Guarantee Deposits, is fairly stated in the year-ending accounting reports. The Fair did not research and adjust Account #241, Guarantee Deposits, prior to closing its accounting records and preparing the year-end financial statements. Our office reviewed the guarantee deposit control log for Account #241.01, Colusa Farm Show Guarantee Deposit, and was unable to trace 54% of the GL balance to the control log. We noted a \$26,780 overstatement between the control log and the GL, for Account #241.01, Colusa Farm Show Guarantee Deposit. In addition, we noted the Fair's control log(s) ending balance(s) for Account #241, Guarantee Deposits, does not agree to the GL balance resulting in a \$1,585 understatement.

As a result of the two discrepancies noted above, our office cannot determine whether the amount reported of \$55,855 is fairly stated as of December 31, 2007. Since guaranteed deposits represent a liability on the Fair's balance sheet, errors in the posting of activity to this account may materially affect the Fair's results of operations. Since we are unable to satisfy ourselves regarding the balance in Account #241, Guarantee Deposits, we have issued a qualified opinion on the Fair's financial statements for this account.

#### *Recommendation*

- 1. The Fair should make it a priority to research and determine the correct balance for Account #241, Guarantee Deposits. The necessary correcting journal entries should be made to ensure the account is fairly stated.*
- 2. Prior to closing the accounting period and preparing the year-ending financial statements, the Fair should perform an annual reconciliation between the control log and the general ledger to ensure they are in agreement for Account #241. This helps ensure all amounts reported as liabilities in the year-ending financial statement are not materially misstated.*

### TEMPORARY EMPLOYEES

The Fair allowed two temporary employees to work in excess of the 119-day limitation within a calendar year. These two employees worked 134 and 249 days in 2007, respectively. According to Article VII Sec. 4(1) of the Constitution of the State of California, temporary employees may not work more than 119 days in a calendar year. This was a prior year finding.

In addition to above, the Fair did not enroll these two 119-day employees, who worked in excess of 1,000 hours within the fiscal year, into the Public Employee Retirement System (PERS). These two employees worked 2,130 and 2,825 hours in 2007, respectively. Once temporary employees exceed 1,000 hours in a given fiscal year, they automatically become

members of the Public Employee Retirement System (PERS); however, we noted no PERS deduction taken on the subsequent pay period after the employees exceeded the 1,000 hours.

#### *Recommendations*

3. *The Fair should comply with the State Constitution by formally tracking the days worked in a calendar year by temporary employees to ensure they do not work in excess of the number of days allowed.*
4. *The Fair should enroll all temporary employees into the Public Employees' Retirement System once the employee exceed the 1,000 hours limitation in a given fiscal year.*

### **PERSONNEL**

An audit of the Fair's payroll records disclosed the Fair allowed one employee to accumulate approximately 437 excessive Compensated Time Off (CTO) hours and 716 of vacation hours at year-end. According to the employee's respective bargaining unit (unit 12 – Craft and Maintenance), the maximum number of leave hours allowed to carry over in a calendar year is 640 hours vacation/annual leave and 240 hours for CTO. According to the employee's bargaining unit, "employees may accumulate up to 240 hours of CTO. All hours in excess of 240 CTO hours shall be compensated in cash." This was a prior year finding.

#### *Recommendations*

5. *The Fair should encourage employees with excess balances to take time off and compensate employees in cash for excess CTO hours, thereby reducing their accumulated leave balances.*
6. *The Fair should ensure permanent employees do not maintain accrued leave hours in excess of the required limits. The Fair should encourage the employees with excess balances to take time off, thereby reducing their accumulated leave balances.*

### **OPPORTUNITY PURCHASING**

The Fair made opportunity purchases during 2007; however, the Fair failed to document opportunity purchases met or beat the State price. Opportunity purchases allow the DAAs to purchase commodities from any source, provided it meets or beats that available through the state purchasing program. Therefore, to claim an opportunity purchase, the Fair must demonstrate and provide copies of actual price information or exemption justification when necessary. Merely stating the local price was equivalent to or less than that available through the state purchasing program does not sufficiently meet the documentation criteria. This was a prior year finding.

#### *Recommendation*

7. *The Fair should follow the proper guidelines when making and claiming an opportunity purchase by attaching all supporting documentation and bids demonstrating how the opportunity purchase meets or beats the State price.*

**ENTERTAINMENT TAXATION WITHHOLDING**

The Fair did not complete and submit a list of prospective out-of-state entertainers, who will receive \$1,500 or more, to the Franchise Tax Board (FTB), Withholding at Source Unit. The submission of this list will ensure proper taxation withholdings of entertainers/performing entities by the Fair when required by FTB. Beginning January 1, 2008, all withholding agents must withhold the standard 7% on California source payments to nonresidents.

*Recommendation*

8. *The Fair should complete and submit a list of prospective entertainers who will receive \$1,500 or more to FTB, Withholding at Source Unit, to ensure proper taxation withholdings.*

## NON-REPORTABLE CONDITIONS

### ACCOUNTING FOR FIXED ASSETS

Our office noted that the Fair incorrectly expensed one project (Festival Building - Swamp Coolers) totaling \$11,440 in 2007. As a result, Account #192, Buildings & Improvements, and Account #192.1, Accumulated Depreciation – Buildings & Improvements, were understated in the year-end financial statements. According to the Department of Finance (DOF) asset capitalization criteria, property having a value of at least \$5,000 and a useful life of at least one year should be capitalized. By omitting this project the Fair understates total assets and net resources. The Fair should record this project in the property ledger and update the depreciation schedule.

#### *Recommendation*

*The Fair should ensure all fixed asset transactions meet the asset capitalization criteria established by the DOF.*

*The Fair should adjust their accounting records to reflect the complete project in the Fair's general ledgers and update the depreciation schedule.*

### COLLATERALIZATION OF EXCESS FUNDS > \$100,000

In 2007, the Fair's savings account had monthly ending balances over \$100,000 for 6 out of 12 months. Our audit identified that the Fair had a year-end bank balance of \$179,297. Currently, the Federal Deposit Insurance Corporation (FDIC) insures all bank accounts to loss up to \$100,000 and any excess amounts would be subject to loss in the event of bank failure.

According to APM Section 2.51, "it is the fair's responsibility to ensure that deposited funds are collateralized in accordance with Government Code Section 16520-16522..." Government Code Section 16521 requires State agencies to ensure that deposited funds are collateralized by requiring banks to deposit securities with the State Treasurer valued at 110 percent of the uninsured portion.

#### *Recommendation*

*The Fair should obtain a letter from its bank to ensure that the Fair's funds in excess of the \$100,000 are insured. Otherwise, the Fair should transfer the excess funds to the Fair's LAIF account.*

### STANDARD 210 AGREEMENT

The Fair did not prepare a Standard 210 Agreement for one personal service contract rendered to the Fair. According to the APM, fairs are required to complete a Standard 210

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Management Report #08-043

Colusa, California

Agreement for all personal services provided to the fair. Preparing a Standard 210 Agreement ensures the overall scope and price of expected services are agreed upon by both parties prior to service performance.

In addition, the Fair did not always prepare or issue an Internal Revenue Service (IRS) Miscellaneous Income Form 1099 to contractors receiving \$600 or more for services performed. The IRS requires this form be prepared any time contractors earned over \$600 in a calendar year.

*Recommendation*

*The Fair should ensure a Standard 210 Agreement is prepared for all services rendered to the Fair. This process helps the Fair by documenting the responsibilities and expectations of both parties prior to service being performed.*

*The Fair should ensure that all independent contractors earning more than \$600 in a calendar year complete a Miscellaneous Income Form 1099.*

**FOOD AND BEVERAGE EXPENDITURES**

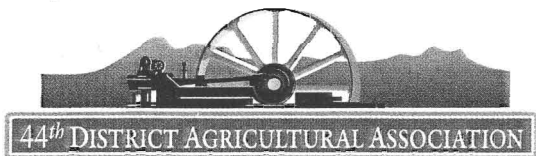
The Fair improperly used public funds to purchase minor amounts of alcoholic beverages for a dinner event. The State Administrative Manual (SAM), § 3572 prohibits the purchase of alcoholic beverages with public funds. In addition, the APM § I, 2.87, Inappropriate Use of State Funds, states the purchase of alcoholic beverages is judged to be unnecessary and of no benefit to the State while increasing the States liability. This was a prior year finding.

*Recommendations*

*The Fair should adhere to SAM § 3572 and APM § I, 2.87 which prohibits the use of public funds for the purchase of alcoholic beverages for any purpose.*



**DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE**



CAROLAN FERRERIA MEEK  
C.E.O.

1303 10th Street, Colusa, CA 95932  
(530) 458-2641 or 458-2661  
Entry Dept. (530) 458-5662  
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## COLUSA COUNTY FAIR

"HOME OF THE BIG WHEEL"

November 4, 2008

Ron Shackelford, Chief  
CDFA Audit Office  
California Department of Food & Agriculture  
1220 N Street, Room 344  
Sacramento, CA 95814

Dear Ron:

Attached please find the 44<sup>th</sup> District Agricultural Association Audit Response for year ended December 31, 2007.

We appreciate the help and guidance offered during our examination.

If you have any questions, please feel free to call me at any time.

Sincerely,



Carolan Ferreria Meek  
Chief Executive Officer

Enclosure

CC: Division of Fairs and Expositions

**44<sup>th</sup> District Agricultural Association  
Management Report 08-043  
Response to Audit FY 2007**

**REPORTABLE CONDITIONS**

**GUARANTEE DEPOSITS**

**Recommendations**

1. *The Fair should make it a priority to research and determine the correct balance for Account #241, Guarantee Deposits. The necessary correcting journal entries should be made to ensure the account is fairly stated.*

The Fair Business Assistant has already researched and determined the correct balance for Account #241 and made the necessary correcting journal entries. Account #241 is correctly stated. The Fair Business Assistant was currently working on reconciling this account when the audit was performed in September.

2. *Prior to closing the accounting period and preparing the year-ending financial statement, the Fair should perform an annual reconciliation between the control log and the general ledger to ensure they are in agreement for Account #241. This helps ensure all amounts reported as liabilities in the year-ending financial statement are not materially misstated.*

The Fair currently performs an annual reconciliation between the control log and the general ledger to ensure that they are in agreement. The Fair always maintains pertinent supporting documentation for audit trail purposes. There was a discrepancy between the Fair's control log and the general ledger as maintained by CFSA. Liabilities reported at year end, were not accurate per the general ledger as maintained by CFSA and filed in the 2007 STOP. The Fair has already reconciled Account #241 and reported on a monthly basis to the Board the accurate liability amount for Account #241. The Fair has since evaluated its accounting processes and has already made an adjustment in 2008 by moving ins accounting in office by contracting with another Fair for a Business Assistant one day per week. The Fair can assure CDFA that this, like all of the other deposit accounts, will be reconciled annually.

**TEMPORARY EMPLOYEES**

**Recommendations**

3. *The Fair should comply with the State Constitution by formally tracking the days worked in a calendar year by temporary employees to ensure they do not work in excess of the number of days allowed.*

The Fair makes every effort to comply with the State Constitution by formally tracking the days worked in a calendar year by temporary employees. The Fair was contracting with CFSA for accounting services in this area. There were several issues with this accounting of calendar days being kept current with real time standards. The Fair has since evaluated its accounting processes and has already made an adjustment in 2008 by moving ins accounting in office by contracting with another Fair for a Business Assistant one day per week. The contracting of the Business Assistant happened in May and the Fair did not have the tracking system in place to rectify this problem for 2008. Management at the Fair can assure CDFA that this issue will be handled for 2009.

4. *The Fair should enroll all temporary employees in the Public Employees' Retirement System once the employee exceed the 1,000 hours limitation in a given fiscal year.*

The Fair has enrolled all temporary employees in the Public Employees' Retirement System once it was determined the employee exceeded the 1,000 hour limitation. Management at the Fair can assure CDFA that this issue will be handled for 2009, and that a sufficient tracking system is in place for to monitor temporary employees on the 1,000 hour limitation.

## PERSONNEL

### *Recommendations*

5. *The Fair should encourage employees with excess balances to take time off and compensate employees in cash for excess CTO hours, thereby reducing their accumulated leave balances.*

The Fair will encourage employees with excess balance to take time off for excess CTO hours. The Fair currently cannot afford to compensate the employees in cash for the excess CTO hours, so it will make every effort to reduce the excess balances by having employees take time off. Management and Staff have already planned for utilizing excess leave in 2009, and have also set goals for lower year end balances.

6. *The Fair should ensure permanent employees do not maintain accrued leave hours in excess of the required limits. The Fair should encourage the employees with excess balances to take time off, thereby reducing their accumulated leave balances.*

The Fair will encourage employees with excess balance to take time off for excess CTO hours. The Fair currently cannot afford to compensate the employees in cash for the excess CTO hours, so it will make every effort to reduce the excess balances by having employees take time off. Management and Staff have already planned for utilizing excess leave in 2009, and have also set goals for lower year end balances.

This reportable is the same as Number 5.

## OPPORTUNITY PURCHASING

### *Recommendation*

7. *The Fair should follow the proper guidelines when making and claiming an opportunity purchase by attaching all supporting documentation and bids demonstrating how the opportunity purchase meets or beats the State price.*

The Fair currently follows the proper guidelines in the Accounting Procedures Manual and does maintain a detailed purchasing log. Additionally, the Fair purchases through CFSA, which currently conducts the documentation for the bid process so that the Fair doesn't have to. Further purchasing will continue through CFSA per the legislation that allows the Fair Opportunity Purchases. The Fair will also document an Opportunity Purchases that are made outside of the CFSA purchasing system.

## ENTERTAINMENT TAXATION WITHHOLDING

### *Recommendation*

8. *The Fair should complete and submit a list of prospective entertainers who will receive \$1,500 or more to FTB, Withholding at Source Unit, to ensure proper taxation withholdings.*

The Fair was not aware that it needed to submit a list of prospective entertainers who will receive \$1,500 or more to FTB. The Fair, annual, completes Form 1099 at year end for all entertainers and contracts over \$600. The Fair will ensure that it will submit a list of prospective entertainers who will receive \$1,500 or more to FTB, Withholding at Source Unit, in 2009 as it will be unable to as 2008 Fair is over.

## NON-REPORTABLE CONDITIONS

### ACCOUNTING FOR FIXED ASSETS

#### *Recommendation*

*The Fair should ensure all fixed asset transaction meet the asset capitalization criteria established by the DOF.*

After the Frestival Hall Swamp Cooler project was finished, the Fair did not capitalize this project as each swamp cooler was \$2,288. The coolers did not meet the asset capitalization criteria that was established by the DOF. The Fair was informed by the CDFA Auditor that the project would need to be capitalized as the total expenditure in its entirety was \$11,440. The Fair immediately adjusted the general ledger and asset depreciation schedule to reflect this.

*The Fair should adjust their accounting records to reflect the complete project in the Fairs general ledgers and update the depreciation schedule.*

The Fair has already adjusted their accounting records to reflect the complete project in its entirety in the Fairs general ledgers and has updated its depreciation schedule as well.

### COLLATERIZATION OF EXCESS FUNDS > \$100,000

#### *Recommendation*

*The Fair should obtain a letter from its bank to ensure that the Fair's funds in excess of the \$100,000 are insured. Otherwise, the Fair should transfer the excess funds to the Fair's LAIF account.*

The Fair is currently in process of obtaining a letter of collaterization for excess funds from Umpqua Bank.

### STANDARD 210 AGREEMENT

#### *Recommendations*

*The Fair should ensure a Standard 210 Agreement is prepared for all services rendered to the Fair. This process helps the Fair by documenting the responsibilities and expectations of both parties prior to service being performed.*

The Fair will ensure that a Standard 210 Agreement is prepared for all services rendered.

*The Fair should ensure that all independent contractors earning more than \$600 in a calendar year complete a Miscellaneous Income Form 1099.*

The Fair completed Form 1099 on all independent contractors earning more than \$600 in a calendar year. Such Form 1099 was completed by CFSA as contracted by the Fair at year end 2007. In the future, the Fair will be completing its own Form 1099 for all independent contractors earning more than \$600 in a calendar year.

## FOOD AND BEVERAGE EXPENDITURES

### *Recommendation*

*The Fair should adhere to SAM 3572 and APM I, 2.87 which prohibits the use of public funds for the purchase of alcoholic beverages for any purpose.*

The Fair will adhere to SAM #3572 and APM#I,2.87 which prohibits the use of public funds for the purchase of alcoholic beverages for any purpose.

### **CDFA EVALUATION OF RESPONSE**

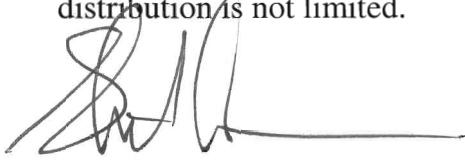
A draft copy of this report was forwarded to the management of the 40th DAA – Colusa County Fair, for their review and response. We have reviewed the response and it satisfactorily addresses the findings contained in this report.



### DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between July 21, 2008 and August 1, 2008. My staff met with management on August 1, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal line extending to the right.

FOS Ron Shackelford, CPA  
Chief, Audit Office

August 1, 2008

**REPORT DISTRIBUTION**

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1	President, 44th DAA Board of Directors
1	Chief Executive Officer, 44th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office